

Message Text

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ACTION ARA-10

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USIA-06 AID-05 TRSE-00 OMB-01 SIL-01 LAB-04 EB-07
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R 201611Z MAY 77
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 7725
INFO AMEMBASSY BOGOTA
AMEMBASSY BUENOS AIRES
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY QUITO
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EO 11652 NA
TAGS: PFOR ELAB PINT PGOV ENRG EFIN ECIN VE
SUBJ: THIS WEEK IN VENEZUELA
REF: CARACAS 4814(NOTAL)

SUMMARY. PRESIDENT PEREZ ENDORSES FUTURE DEVELOPMENT OF HEAVY OIL BELT. COMPTROLLER GENERAL'S ANNUAL REPORT CITES CHRONIC ADMINISTRATIVE DEFICIENCIES. \$100 MILLION GOV BOND ISSUE TO BE PLACED IN NEW YORK. AD LABOR LEADER SUFFERS STROKE. IMPASSE ON CRITICAL PORTIONS OF TAX REFORM PROPOSALS. ANDEAN PACT MEETING IN CARACAS DISCUSSES AUTOMOTIVE PROGRAM. VENEZUELAN JUDGE DENIES ARGENTINE BUSINESSMAN'S REQUEST FOR HABEAS CORPUS IN "GRAVIER AFFAIR." END SUMMARY.

1. PRESIDENT ENDORSES FUTURE DEVELOPMENT OF HEAVY OIL BELT. COMMENTING ON A NEWS REPORT FROM WASHINGTON THAT HE
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WOULD BE DISCUSSING THE DEVELOPMENT OF THE ORINOCO HEAVY OIL BELT DURING HIS US VISIT, PRESIDENT PEREZ REPLIED THAT HE WOULD OF COURSE DISCUSS ANY ISSUE WHICH PRESIDENT CARTER RAISED, AND EXPECTED THE SAME OF HIS HOST. PEREZ SAID THERE WAS NO TABOO WITH RESPECT TO THE BELT; VENEZUELA HAD NOW ESTABLISHED A LIMIT ON OIL PRODUCTION AND EXPORTS IN ACCORD WITH ITS CONSERVATIONIST PHILOSOPHY AND IT WOULD BE IN

THE NATIONAL INTEREST TO INCLUDE NON-CONVENTIONAL OIL (FROM THE BELT) WITHIN THIS LIMIT. HE NOTED, HOWEVER, THAT AT PRESENT PRICES THIS OIL COULD NOT BE PRODUCED ECONOMICALLY, BUT THAT THE TIME WOULD COME, AND HE HOPED IT WOULD BE SOON, WHEN PRODUCTION WAS PROFITABLE.

2. COMPTROLLER GENERAL'S REPORT CITES CHRONIC ADMINISTRATIVE DEFICIENCIES. "WITH FEW EXCEPTIONS, WITHIN THE INSTITUTES AND COMPANIES THAT MAKE UP THE NATIONAL DECENTRALIZED ADMINISTRATION THERE IS DEFICIENT PLANNING, NO COORDINATION BETWEEN BUDGETS AND PLANS, SHORTAGES OF ADEQUATE BUDGETARY CONTROL SYSTEMS, DELAYS AND DEFECTS IN ACCOUNTING, INACCURATE PRESENTATION OF BALANCE SHEETS, WEAK INTERNAL CONTROLS, UNCLEAR FINANCIAL PLICIES, SHORTAGES OF ORGANIZATIONAL NORMS AND OTHER FAILINGS." WHILE THIS SENTENCE MIGHT APPEAR TO BE ANOTHER ATTACK BY THE OPPOSITION ON THE PEREZ ADMINISTRATION, IT IN FACT IS A PART OF THE MASSIVE 550-PAGE ANNUAL REPORT OF THE GOV'S COMPTROLLER GENERAL WHICH WAS MADE PUBLIC PIECE-MEAL DURING THE PAST WEEK. THE COMPREHENSIVE REPORT METHODICALLY DISSECTED GOV MINISTRIES AND STATE CORPORATIONS, EXPOSING WIDE-SPREAD INEFFICIENCY, LAX ADMINISTRATION AND SLIPSHOD ACCOUNTING PROCEDURES. THE COMPTROLLER GENERAL'S REPORT TO CONGRESS ANNUALLY STIRS CONTROVERSY, AND PRESIDENT PEREZ COUNTERATTACKED MAY 17 IN A TELEVISED PRESS CONFERENCE, NOTING THAT ACCOUNTING DIFFICULTIES, NOT CORRUPTION, WERE THE CAUSE OF THEREPORT'S NEGATIVE FINDINGS. HE FURTHERMORE CLAIMED THAT SOME OF THE REPORTED IRREGULARITIES OCCURRED DURING THE PREVIOUS COPEI ADMINISTRATIN. COPEI WILL ATTEMPT TO PARLAY THE REPORT INTO POLITICAL CAPITAL BY CALLING SOME LIMITED OFFICIAL USE

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MINISTERS AND CORPORATION HEADS TO TESTIFY BEFORE THE COPEI-LED COMPTROLLER COMMITTEE OF THE CHAMBER OF DEPUTIES AND BY CITING THE REPORT'S FINDINGS AS FURTHER EVIDENCE OF AD'S POOR PLANNING AND ADMINISTRATION OF THE CONTINUALLY EXPANDING PUBLIC SECTOR.

3. \$100 MILLION GOV BOND ISSUE TO BE PLACED IN NEW YORK. FINANCE MINISTER HURTADO ANNOUNCED THIS WEEK THAT THE GOV HAS FORMALLY ASKED THE SECURITIES AND EXCHANGE COMMISSION FOR PERMISSION TO ISSUE \$100 MILLION IN GOVT BONDS IN NEW YORK CITY. THE ISSUE WILL BEMANAGED BY MORGAN STANLEY & CO., FIRST BOSTON CORPORATION AND SALOMON BROTHERS. THE PROCEEDS WILL BE USED TO FINANCE PROJECTS UNDER THE COUNTRY'S DEVELOPMENT PROGRAM. THE BONDS WILL REPORTEDLY MATURE IN FIVE YEARS AT AN INTEREST RATE NOT YET SPECIFIED. SO FAR THIS YEAR, VENEZUELA HAS BORROWED \$100 MILLION ON THE EUROBOND MARKET AND \$1.2 BILLION FROM AN INTERNATIONAL BANKING CONSORTIUM TO FINANCE DEVELOPMENT PROJECTS.

4. MALAVE SUFFERS STROKE. AUGUSTO MALAVE VILLALBA, FEDERAL DEPUTY, VOCAL OF THE CONFEDERATION OF VENEZUELAN WORKERS (CTV), PRESIDENT OF THE WORKERS BANK, FIRST VICE PRESIDENT OF ACCION DEMOCRATICA (AD), MEMBER OF THE EXECUTIVE COUNCIL OF THE INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS (IPAU), AND INNUMERABLE OTHER JOBS SUFFERED A STROKE WHILE ATTENDING AN ICFTU CONFERENCE IN ROME. LITTLE HOPE IS HELD FOR HIS RECOVERY AND RETURN TO NORMAL ACTIVITIES. MALAVE HAS BEEN A CONSISTENT FRIEND OF THE AFL-CIO AND THE CAUSE OF FREE AND DEMOCRATIC TRADE UNIONISM THROUGHOUT THE WORLD.

5. IMPASSE ON CRITICAL PORTIONS OF TAX REFORM PROPOSALS. THE SPECIAL TRIPARTITE COMMISSION (GOVT, LABOR, CHAMBER OF COMMERCE) REVIEWING THE TAX REFORM PROPOSALS HAS NOT BEEN ABLE TO REACH A CONSENSUS ON INCOME TAXES, TURNOVER TAXES, AND THE SPECIAL CONTRIBUTIONS TO FINANCE SCIENTIFIC RESEARCH. THESE ELEMENTS OF THE GOVT'S REFORM PACKAGE WOULD LIMITED OFFICIAL USE

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PRODUCE THE MOST REVENUE AND PLACE THE HEAVIEST TAX BURDEN ON BUSINESS INTERESTS. THE SPECIAL COMMITTEE EARLIER APPROVED, WITH MINOR CHANGES, OTHER ASPECTS OF THE TAX PROPOSALS, INCLUDING TARIFFS, TAXES ON ALCOHOL, TOBACCO, INHERITANCES AND DONATIONS. THE FINANCE MINISTRY HAS AGREED TO RESTUDY THE THREE MOST CONTROVERSIAL REFORM PROPOSALS AND PRESENT A MODIFIED PACKAGE TO THE COMMISSION.

6. ANDEAN PACT MEETING IN CARACAS DISCUSSES AUTOMOTIVE PROGRAM. IN A BRIEF MEETING IN CARACAS MAY 16, MINISTERS RESPONSIBLE FOR SUB-REGIONAL INTEGRATION FROM THE FIVE MEMBER COUNTRIES OF THE ANDEAN PACT MET WITH PRESIDENT PEREZ AND REPORTED ON THE RESULTS OF THE WEEKEND DELIBERATIONS. ACCORDING TO PRESS REPORTS, THE MINISTERIAL MEETING PRODUCED A DOCUMENT OUTLINING AREAS OF AGREEMENT AND DISAGREEMENT ON INTEGRATION OF NATIONAL AUTOMOBILE INDUSTRIES IN THE SUB-REGION. THE REPORT WILL BE THE SUBJECT OF DISCUSSION AT THE FORTHCOMING ANCOM MEETING IN QUITO, JULY 17.

7. VENEZUELAN JUDGE DENIES ARGENTINE BUSINESSMAN'S HABEAS CORPUS REQUEST. ON MAY 17, A VENEZUELAN JUDGE DENIED A HABEAS CORPUS PLEA ENTERED ON BEHALF OF JULIO BORNER, AN ARGENTINE BUSINESSMAN WHO IS BEING SOUGHT BY HIS GOVT IN CONNECTION WITH THE "GRAVIER AFFAIR." BORNER ARRIVED IN VENEZUELA IN 1976 AND WAS ARRESTED EARLY THIS MONTH BY VENEZUELAN POLICE AFTER THE GOA REQUESTED THAT BORNER BE EXTRADICTED TO ARGENTINA. ARGENTINA AND VENEZUELA DO NOT HAVE AN EXTRADITION TREATY, HOWEVER. APPARENTLY, UNDER THE VENEZUELAN PENAL CODE THERE IS A 20-DAY TIME LIMIT FOR PRESENTING EVIDENCE TO JUSTIFY BORNER'S ARREST. PRESIDENT VIDELA (SEPTOL) REFUSED TO COMMENT ON THE CASE DURING HIS STATE VISIT LAST WEEK.

8. OTHER REPORTING THIS WEEK INCLUDED THE OWENS-ILLINOIS
CASE (CARACAS 4839), THE COMPTROLLER GENERAL'S BACK
TAX CLAIM ON NATIONALIZED PETROLEUM COMPANIES (CARACAS 4957),
THE CTV PROTEST TO ARGENTINE PRESIDENT VIDELA ON THE
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CONTINUED DETENTION OF TRADE UNIONISTS IN THAT COUNTRY
(CARACAS 4988), THE NATIONAL DEFENSE UNIVERSITY TRIP TO
VENEZUELA (CARACAS 4941), PROPOSED VENEZUELAN INTERNS IN IEA
SECRETARIAT (CARACAS 4882), THE VENEZUELAN DELEGATION TO THE
ILO (CARACAS 4949), AND A REPORT ON THE VISIT OF ARGENTINE
PRESIDENT VIDELA EX-PRESIDENT BETANCOURT
ASSUMES MORE ACTIVE STANCE M
VAKY

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Message Attributes

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